

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-10 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SPC-03 SS-20 STR-08 TRSE-00 PA-04

PRS-01 USIA-15 DRC-01 /188 W
----- 125087

R 211750Z FEB 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 3380

INFO AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COMPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FLORENCE UNN

AMCONSUL GENOA UNN

AMCONSUL MILAN UNN

AMCONSUL NAPLES UNN

AMCONSUL PALERMO UNN

AMCONSUL TRIESTE UNN

AMCONSUL TURIN UNN

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E.O. 11652: N/A

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TAGS: ENRG, IT

SUBJ: GOVERNMENT INCREASE PRICE OF GASOLINE AND BASIC FOOD
ITEMS AND ATTENUATES AUSTERITY MEASURES

1. /BEGIN SUMMARY/: GOI ON FEBRUARY 20 APPROVED ACROSS THE BOARD PRICE INCREASES FOR PETROLEUM PRODUCTS AS WELL AS FOR SIX LARGE CONSUMPTION FOOD ITEMS PREVIOUSLY SUBJECT TO JULY 1973 PRICE FREEZE (ROME 2446 NOTAL). CERTAIN POSTAGE AND TELEGRAPH RATES ALSO HIKED. HIGHLY UNPOPULAR SUNDAY DRIVING BAN TO BE SUBSTITUTED BY ALTERNATE SUNDAY DRIVING ACCORDING TO LICENSE PLATE NUMBERS -- ODD PLATES ONE WEEK, EVEN PLATES THE FOLLOWING WEEK. CONTINGENCY PLANNING FOR POSSIBLE GASOLINE RATIONING TO TAKE EFFECT IN MAY IS CONTINUING ALTHOUGH FINAL DECISION NOT YET TAKEN. /END SUMMARY/.

2. COUNCIL OF MINISTERS, TOGETHER WITH INTERMINISTERIAL PRICE COMMITTEE (CIP) AND INTERMINISTERIAL COMMITTEE FOR ECONOMIC PLANNING (CIPE) MET FEBRUARY 20 IN SHADOW OF BROADENING OIL INDUSTRY SCANDAL (ROME 2156 NOTAL) TO APPROVE ACROSS THE BOARD INCREASE IN PRICES OF PETROLEUM PRODUCTS WHICH HAD ORIGINALLY BEEN SCHEDULED TO TAKE EFFECT BY FEBRUARY 1. NEW PRICES EFFECTIVE FEBRUARY 21 AS FOLLOWS, WITH FORMER PRICE IN PARENTHESIS; PREMIUM GASOLINE 260 LIRE/LITER (200), WITH 39 LIRE GOING TO COMPANIES AND 21 LIRE TO GOVERNMENT IN FORM OF INCREASED MANUFACTURING TAX; REGULAR GASOLINE 247 LIRE/LITER (190), WITH 36 LIRE TO COMPANIES AND 21 LIRE TO GOVERNMENT; GASOIL FOR HEATING 70 LIRE/LITER (46); DIESEL FUEL 135 LIRE/LITER (113); HEAVY/FUEL OIL 35 LIRE/LITER (20). INCREASES FOR LATTER THREE CATEGORIES GO WHOLLY TO COMPANIES. INCREASE IN MANUFACTURING TAX FOR GASOLINE EXPECTED TO YIELD GOVERNMENT ABOUT 300 BILLION LIRE AND HELP OFFSET EXPECTED DROP IN REVENUE FROM AUSTERITY-MOTIVATED FALL IN GASOLINE CONSUMPTION. NEW PRODUCT PRICES REPORTEDLY BASED ON GOVERNMENT CALCULATED IMPORTED CRUDE OIL COST OF 49,000 LIRE/TON.

3. COUNCIL OF MINISTERS DECIDED TO EASE SOMEWHAT NOVEMBER 22 AUSTERITY MEASURES (ROME 12977), REPLACING PRESENT SUNDAY DRIVING BAN WITH A MORE FLEXIBLE ALTERNATE SUNDAY BAN EFFECTIVE MARCH 10. VEHICLES AND MOTORCYCLES WITH LICENSES ENDING IN EVEN NUMBERS WILL BE AUTHORIZED TO DRIVE ONE SUNDAY, AND THOSE WITH ODD LICENSE NUMBERS THE FOLLOWING SUNDAY. ON REMAINING DAYS OF WEEK, INCLUDING HOLIDAYS NOT FALLING ON SUNDAY, ALL VEHICLES MAY CIRCULATE

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FREELY. DRIVING BAN TO BE IN EFFECT FROM 1 AM SUNDAY TO MIDNIGHT SUNDAY. EXEMPTED FROM BAN ARE VEHICLES WITH FOREIGN LICENSE PLATES AND MOTORBIKES UP TO 50 CC. WHICH DO NOT REQUIRE LICENSES; NO MENTION MADE SO FAR OF VEHICLES WITH DC PLATES; EXCEPTIONS WILL CONTINUE TO BE GRANTED AS AT PRESENT TO INDIVIDUALS WHO REQUIRE VEHICLES FOR SUNDAY WORK. SEPARATE MEASURES TO BE ADOPTED SUBSEQUENTLY FOR PLEASURE BOATING WHICH HERETOFORE SUBJECT TOBAN.

4. GOVERNMENT AGREED TO CONTINUE CONTINGENCY PLANNING FOR GASOLINE RATIONING BEGINNING IN MAY, ALTHOUGH FINAL DECISION NOT RPT NOT YET TAKEN. RATION CARDS AND COUPONS TO BE PREPARED BY GOVERNMENT PRINTING OFFICE. GOVERNMENT SEEMS FOR PRESENT TO BE LEANING TOWARD DUAL MARKET SYSTEM IN WHICH FIXED MONTHLY AMOUNT -- E.G. 50 LITERS -- WOULD BE RATIONED TO ALL AT PRESENT PRICE WITH ADDITIONAL QUANTITIES OF GASOLINE AVAILABLE AT MUCH HIGHER 350-400 LIRE/LITER PRICE. NEVERTHELESS, MANY AUTHORITATIVE SOURCES CONTINUE TO EXPRESS SERIOUS DOUBTS ABOUT THE MERITS OF RATIONING, SUGGESTING THAT COST WILL OUTWEIGH WHATEVER BENEFITS OBTAINED. GOVERNMENT AIMS TO CUT BACK GASOLINE CONSUMPTION BY 2 MILLION TONS AND IT REMAINS TO BE SEEN WHETHER PRESENT 30 PERCENT PRICE INCREASE TOGETHER WITH ALTERNATE SUNDAY DRIVING BAN WILL SUFFICE.

5. OTHER PRICE DECISIONS: ON BASIS OF RECOMMENDATIONS MADE BY INTERMINISTERIAL PRICE COMMITTEE, CIPE (INTERMINISTERIAL COMMITTEE FOR ECONOMIC PLANNING) AUTHORIZED PRICE INCREASES FOR SIX LARGE CONSUMPTION FOOD ITEMS (PREVIOUSLY SUBJECT TO PRICE FREEZE) AS FOLLOWS: REFINED PACKAGED SUGAR OF WHATEVER WEIGHT PLUS 10 LIRE; REGULAR OLIVE OIL IN 1 LITER CONTAINERS PLUS 250 LIRE, ("EXTRA VIRGIN" OLIVE OIL NOT SUBJECT TO PRICE FREEZE); OIL DERIVED FROM SEEDS IN 1 LITER CONTAINERS PLUS 150 LIRE; CHEESES (DEPENDING UPON QUALITY AND PACKAGING) PLUS 100-150 LIRE PER KILOGRAM; SAUSAGE MEAT PLUS 20 PERCENT PER KILOGRAM. IN ADDITION, CIPE HAS RAISED POSTAGE RATES AS FOLLOWS: RATES APPLICABLE TO POSTAL CARDS, BUSINESS CARDS, GREETING CARDS AND INVITATION CARDS INCREASE FROM 25 TO 40 LIRE WITH ABOLITION OF PREVIOUS 5-WORD TEXT LIMIT. BASIC RATES FOR SPECIAL DELIVERY MAIL REMAIN UNCHANGED BUT SUPPLEMENTAL RATES BASED ON WEIGHT INCREASE FROM 150 TO 250 LIRE. BASIC RATES FOR SPECIAL DELIVERY PACKAGE MAIL ALSO REMAIN UNCHANGED BUT SUPPLEMENTAL RATES BASED ON WEIGHT INCREASE FROM UNCLASSIFIED

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180 TO 250 LIRE. SIZEABLE INCREASE IN TELEGRAM RATES ALSO APPROVED BY CIPE AS FOLLOWS: MINIMUM RATE APPLICABLE TO 16-WORD TEXT INCREASE FROM 600 TO 1,000 LIRE. EACH ADDITIONAL WORD TO COST 25 LIRE.BEAUDRY

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